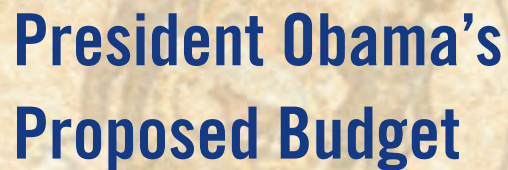




State Treasurer Chip Flowers

DELAWARE ECONOMIC INDEX

As of May 6, 2013



See page 11

STATE ECONOMIC CLIMATE OVER PAST 60 DAYS

FAIR

LEGEND FOR ECONOMIC CLIMATE



NATIONAL ECONOMIC TREND



**Gas prices decline.
See page 4**



**Regional CPI resumes growth.
See page 7**



**Delaware Stock Index rose by 3.97%.
See page 12**



State Treasurer Chip Flowers

A Message from your State Treasurer

To People of the State of Delaware:

Welcome to the May 2013 edition of the Delaware Economic Index. This is the second edition featuring our new interactive format and I hope that you enjoy the “new and improved” Index.

At the State Treasury, we recently completed a historic open and competitive process to select new investment managers to help manage the State of Delaware’s \$2 billion investment portfolio. We received 110 responses—a record—and selected the nine best managers, including Delaware, small and women-owned firms. These investment managers have proven track records of prudently investing funds and will help continue our portfolio’s upward trajectory while protecting us from risk. Moreover, I am pleased to announce the new group of managers will collectively save the State hundreds of thousands of dollars through reduced fees. This, combined with improved returns, will translate into an increased amount of funds available for the General Assembly.

Over the past sixty days, Delaware’s economy remained at a “fair” level. The state unemployment rate has remained relatively constant for slightly more than a year, but it did increase from 7.1% in January to 7.3% March. During this period we learned that AstraZeneca plans to eliminate 1,200 Delaware jobs over the next two

years and Fisker Automotive laid off 150 of its 200 employees. However, Harim Foods’ announcement that it plans to create 700 jobs in Sussex County was good news.

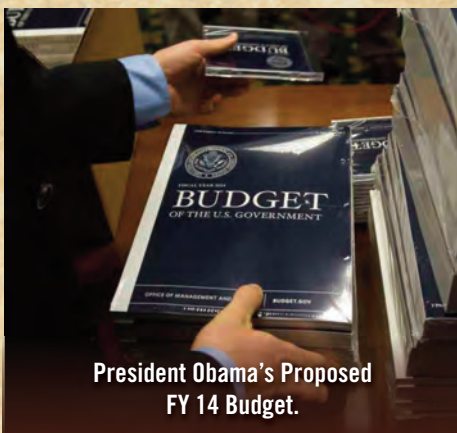
The national economy grew at a much faster, albeit still modest, rate in the first quarter of 2013, 2.5%, versus 0.4% in the final quarter of 2012. The national unemployment rate has decreased from 7.7% to 7.5% as a net 165,000 jobs were created in April and 138,000 in March. The housing sector has remained an economic bright spot in 2013 and the S&P 500 recently set an all-time record. However, Congress was unable to avert sequestration. The Federal Reserve has continued its efforts to stimulate the economy via monetary policy, but no major stimulative fiscal policy has emerged from Washington.

This month’s special feature is President Obama’s proposed budget. While it is unclear how much of his proposal the U.S. Congress will adopt, I believe it is important for the public to engage in our national fiscal debate.

If you have any comments on our recent work or in general, please feel free to e-mail me at statetreasurer@state.de.us or call (302) 672-6700. Remember, we welcome the opportunity to serve you.

Best,

Chip Flowers, *Delaware State Treasurer*



**President Obama’s Proposed
FY 14 Budget.**



**State Treasury hires new
investment managers.**



**National GDP growth in the 1st quarter
of 2013 improves to 2.5%.**



KEY RATIONALE

- The state unemployment rate is 7.3%, up from 7.1% in January.
- Delaware's housing market continues to improve. First quarter home prices increased 15% in Sussex County, 5% in New Castle County and 3% in Kent County relative to the first quarter of 2012. This is consistent with a national rebound in housing.
- The Regional Consumer Price Index indicated a 0.7% increase in prices from December. The year-over-year price increase is 1.8%.
- The Federal Reserve's Beige Book showed continued modest growth in the Philadelphia region, which includes Delaware.
- Retail activity, residential construction, tourism, commercial real estate leasing, general services and staffing grew at a modest pace.
- Overall, Beige Book respondents expressed expectations for continued modest growth. While concern remains about the potential adverse effects of federal sequestration, confidence in the state of the economy grew.
- Regional banks continued to report improvement in credit quality, but lending growth was minimal.
- Regional manufacturing activity continued to grow slightly, as measured by the Federal Reserve Bank of Philadelphia's survey. However, Delaware firms account for only approximately 5% of the survey.
- The Federal Reserve Bank of Philadelphia's Coincident Index showed Delaware's economic activity as growing in March. The Leading Index increased and is forecasting economic growth through the third quarter of 2013.
- National consumer confidence data showed split results. The Conference Board survey reported an increase in April, but the University of Michigan's survey declined.
- The national economy continued to add jobs at a moderate pace. The national unemployment rate in April was 7.5%. This represents an improvement from 7.7% in February. Approximately 165,000 net jobs were created in April and 138,000 in March.
- The four-week moving average of new U.S. jobless claims was 342,250 for the period ended April 27, which is an improvement from an average of 355,000 for the period ended February 16.
- In Delaware, new jobless claims decreased since the previous Index. The four-week average is 1,011, an improvement from 1,080.
- Delaware's investment portfolio, held and managed by the Treasury, is \$1.82 billion as of May 1, compared to \$1.64 billion as of February 28.

Delaware Economic Early Warning System

STATE ECONOMIC CLIMATE OVER PAST 60 DAYS

FAIR



CONSUMER SECTOR



National initial jobless claims reach a 5 year low.



National home prices rise at the fastest rate in 7 years.



Economy inequality linked to life expectancy disparities.



Employment

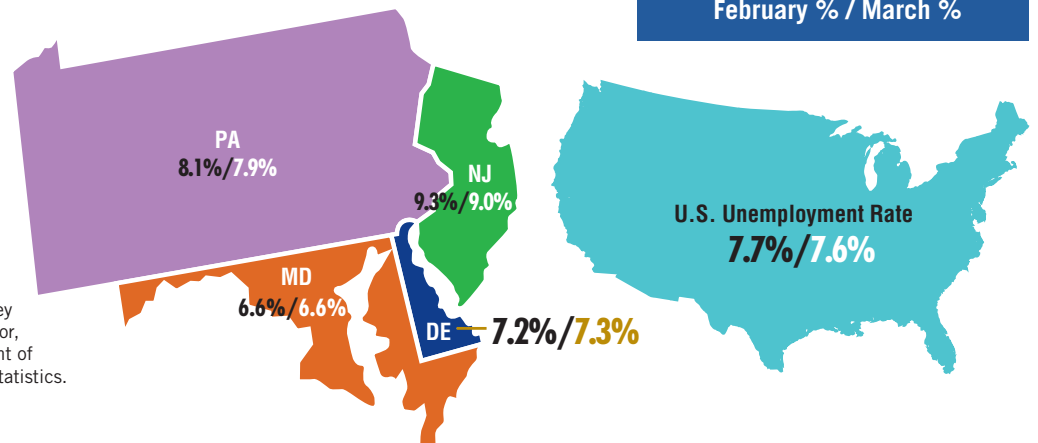
Delaware (Mar. 2013)		Delaware (Jan. 2013)	
Labor force	445,699	Labor force	446,222
Employment	413,376	Employment	414,335
Unemployed	32,323	Unemployed	31,887
Unemployment rate	7.3%	Unemployment rate	7.1%



Source: Delaware Department of Labor

Regional Unemployment

February 2013 / March 2013 /



Sources: Delaware Department of Labor; New Jersey Department of Labor; Maryland Department of Labor, Licensing and Regulation; Pennsylvania Department of Labor & Industry, United States Bureau of Labor Statistics.

Delaware Jobless Claims

Initial Claims Filed

Week Ended	Number
April 20	781
April 13	988
April 6	1598
March 30	677
March 23	749
March 16	789
March 9	872
March 2	818

Four week average: 1,011

Eight week average: 909

The Department of Labor did not report state-level data for the week ended on April 27.

Source: U.S. Department of Labor





Gas Prices

	Delaware	United States
May 1, 2013	\$3.38	\$3.51
One Week Ago	\$3.36	\$3.50
March 1, 2013	\$3.65	\$3.72
One Year Ago	\$3.76	\$3.81

Source: Delawaregasprices.com



Mortgage Rates

	As of May 2, 2013	Week Prior
30-year fixed	3.35%	3.40%
15-year fixed	2.56%	2.61%
5-year ARM	2.56%	2.58%
1-year ARM	2.56%	2.62%

Source: Freddie Mac



Primary Mortgage Market Survey®

	As of May 2, 2013	Fees and Points
30-year fixed	3.35%	0.7%
15-year fixed	2.56%	0.7%

Consumer Confidence

Conference Board

Month	Index
April	68.1
March	61.9

Rating Index

90 = Doing well
100 = Strong growth

Source: Conference Board

University of Michigan

Month	Index
April	76.4
March	78.6

Source: University of Michigan

Regional Consumer Price Index

	Feb-2013	Dec-2012	Change since Dec.	Change since Feb. 2012
All Items	240.137	238.492	+0.7%	+1.8%
Core	248.049	246.571	+0.6%	+2.1%

The regional CPI covers the Philadelphia-Wilmington-Atlantic City Consolidated Metropolitan Statistical Area. In Delaware, it covers New Castle County. Core consumer price index is the inflation rate minus food and energy items.



B U S I N E S S S E C T O R



The Federal Reserve continues stimulative efforts.



The U.S. is halfway to President Obama's goal to double exports by 2015.



Rocky Mountain oil reserve estimate doubles, gas estimate triples.



National Manufacturing

National economic activity in the manufacturing sector grew for the fifth consecutive month in April. However, growth was very slow as the PMI posted a reading of only 50.7, down from 51.3 in March. A reading above 50.0 indicates expansion in the manufacturing sector and a PMI above 42.2 correlates with expansion in the overall economy. 14 of 18 manufacturing industries reported growth in this survey.

Index	Series Index Apr.	Series Index Mar.	% Point Change	Status	Rate of Change	Trend* (Months)
PMI	50.7	51.3	-0.6	Growing	Slower	5
Production	53.5	52.2	+1.3	Growing	Faster	8
New Orders	52.3	51.4	+0.9	Growing	Faster	4
Employment	50.2	54.2	-4.0	Growing	Slower	43
Supplier Deliveries	50.9	49.4	+1.5	Slowing	From Faster	1
Inventories	46.5	49.5	-3.0	Contracting	Faster	2
Prices	50.0	54.5	-4.5	Unchanged	From Increasing	1
Backlog of Orders	53.0	51.0	+2.0	Growing	Faster	3
Exports	54.0	56.0	-2.0	Growing	Slower	5
Imports	55.0	54.0	+1.0	Growing	Faster	3
Customers' Inventories	44.5	47.5	-3.0	Too Low	Faster	17

Source: ISM Report on Business

National Non-Manufacturing

National economic activity in the non-manufacturing sector grew in April for the 40th consecutive month. The NMI declined from 54.4 in March to 53.1 in April. A reading above 50 indicates expansion. Employment increased for the 9th consecutive month and 14 sectors reported growth. Survey respondents expressed a generally positive view of economic conditions, but many are concerned about the need to increase revenues and control costs.

Index	Series Index Apr.	Series Index Mar.	% Point Change	Status	Rate of Change	Trend* (Months)
NMI/PMI	53.1	54.4	-1.3	Growing	Slower	40
Business Activity/Production	55.0	56.5	-1.5	Growing	Slower	45
New Orders	54.5	54.6	-0.1	Growing	Slower	45
Employment	52.0	53.3	-1.3	Growing	Slower	9
Supplier Deliveries	51.0	53.0	-2.0	Slowing	Slower	4
Inventories	56.0	51.5	+4.5	Growing	Faster	3
Prices	51.2	55.9	-4.7	Increasing	Slower	43
Backlog of Orders	51.5	54.5	-3.0	Growing	Slower	3
New Export Orders	53.5	56.5	-3.0	Growing	Slower	4
Imports	58.5	57.5	+1.0	Growing	Faster	4
Inventory Sentiment	60.5	59.5	+1.0	Too High	Faster	191

Source: ISM Report on Business



Regional Business Outlook Survey Diffusion Indexes

The April Business Outlook Survey's diffusion index reading narrowly remained in positive territory. Shipments improved and more firms reported improvement than declining activity while inventories declined substantially. The employment index regressed into negative territory for the first time in three months as more firms reported decreasing rather than increasing employment levels. Survey respondents expect growth over the next six months and hold moderate hiring plans, but the level of optimism is lower than it was in March.

Source: Federal Reserve Bank of Philadelphia

	Apr. 2013	Mar. 2013
General Evaluation	1.3	2.0
New Orders	-1.0	0.5
Shipments	9.1	3.5
Unfilled Orders	8.7	-6.4
Delivery Times	-13.8	-7.5
Inventories	-22.2	0.0
Prices Paid	3.1	8.5
Prices Received	-7.5	-0.8
Number of Employees	-6.8	2.7
Average Employee Workweek	-2.1	-12.9

The Business Outlook Survey is conducted monthly by the Federal Reserve Bank of Philadelphia to gauge manufacturing activity in the region.

Small Business Optimism Index

Month	Index
March	89.5
February	90.8

Even though the Index declined, firms are reporting the most hiring in a year

Source: National Federation of Independent Businesses

Index Component	Net %	Change from Last Month
Plans to Increase Employment	0%	▼ -4%
Plans to Make Capital Outlays	25%	— 0%
Plans to Increase Inventories	-5%	▼ -4%
Expect Economy to Improve	-28%	— 0%
Expect Real Sales Higher	-4%	▼ -5%
Current Inventory	-1%	▼ -2%
Current Job Openings	18%	▼ -3%
Expected Credit Conditions	-6%	▲ 2%
Now a Good Time to Expand	4%	▼ -1%
Earnings Trends	-23%	▲ 3%

Producer Price Index

	Mar. 2013	Mar. 2012
Total	-0.6%	+1.1%
Except food and energy	+0.2%	N/A
Foods	+0.8%	N/A
Energy	-3.4%	N/A

These are the Producer Price Index changes for finished goods. The index declined in March after resuming growth in the previous two months.

Source: U.S. Bureau of Labor



Coincident Index

The Coincident Index for Delaware indicated growth in March. Payroll employment and hours worked in manufacturing improved, but the unemployment rate increased.

The Coincident Index is issued by the Federal Reserve Bank of Philadelphia to summarize economic conditions in the region. An increase in a state's coincident index indicates an increase in such state's Gross Domestic Product (GDP) growth.

Area	Mar. 2013	1-Month Change	3-Month Change	12-Month Change
Delaware	145.5	+0.2%	+0.6%	+1.5%
New Jersey	151.2	+0.5%	+ 1.3%	+3.3%
Pennsylvania	142.1	+0.3%	+0.7%	+1.3%
US	154.2	+0.3%	+0.8%	+2.8%

Source: Federal Reserve Bank of Philadelphia

Leading Index

The Leading Index for Delaware was 1.0 in March, suggesting economic expansion through the third quarter of 2013. The state's coincident index and building permits increased and new jobless claims declined. The index of delivery times from the Institute for Supply Management's manufacturing survey showed a decrease, though.

The Leading Index is issued by the Federal Reserve Bank of Philadelphia to predict the six-month growth rate of a state's Coincident Index.

Area	Mar.	Feb.	Jan.
Delaware	1.0	0.9	1.5
Pennsylvania	2.4	2.2	1.0
New Jersey	2.8	2.6	2.8
US	1.6	1.6	1.7

Source: Federal Reserve Bank of Philadelphia



SPECIAL FEATURE

President Obama's Proposed Budget

On April 10, President Obama and the Office of Management and Budget ("OMB") released the Administration's \$3.77 trillion budget proposal for Fiscal Year 2014. Some key features of the budget plan are:

- Achieving \$1.8 trillion in additional deficit reduction over the next decade;
- Raising \$580 billion in additional revenue via limiting tax deductions for high-income filers;
- Proposing the Buffet Rule, which would require households with incomes above \$1 million to pay a minimum of 30% in federal taxes;
- Capping the value of tax deductions for the top 2% of households to 28%;
- Offering a 10% tax credit for small businesses for hiring or increasing wages;
- Creating a new tax credit for employers to offer retirement plans;
- Allowing small businesses to claim tax write-offs for up to \$500,000 of new investment;
- Expanding a tax credit for child care;
- Investing \$50 billion in infrastructure improvements;
- Reducing Medicare expenditures by \$400 billion primarily through reducing payments to providers and drug companies;
- A cumulative \$230 billion in increased revenue and reduced spending by switching to the chained CPI to calculate cost-of-living increases and tax bracket indexation;
- Working with states to make quality preschool accessible to four year olds from low- and moderate-income backgrounds;
- Increasing access to full-day kindergarten early education programs for children under the age of four;
- Making permanent the American Opportunity Tax Credit to make college more accessible for 11 million people;
- Creating a \$1 billion fund to promote reforms that will increase college affordability;
- Dedicating \$8 billion for the Community College to Career Fund to facilitate businesses and community colleges working together to provide the job training required for many fast-growing jobs;
- Advocating increasing the minimum wage to \$9.00 an hour; and
- Creating Promise Zones to draw private investment to high-poverty communities.

Under OMB's assumptions, the nation's public debt-to-Gross Domestic Product ratio, which was 72.6% in 2012, would rise to 78.2% by 2014 before stabilizing and beginning to decline in 2016, as economic growth outpaces the deficit, and falling to 73.0% of GDP in 2023.

Sources: White House Office of Management and Budget, Congressional Budget Office



OMB and CBO Forecasts

- **Economic growth.** The Obama budget forecasts 2.3% economic growth in 2013, 3.2% growth in 2014 and 3.5% growth in 2015. The non-partisan Congressional Budget Office ("CBO") projects a growth rate of 1.4% in 2013, 2.6% in 2014 and 4.1% in 2015.
- **Inflation.** OMB projects an inflation rate of 2.1% in 2013 and 2.2% for both 2014 and 2015. The CBO foresees inflation of 1.6% this year, 1.9% next year and 2.1% in 2015.
- **Unemployment.** The President's budget anticipates an average unemployment rate of 7.7% in 2013, 7.2% in 2014 and 6.7% in 2015. This compares to the CBO's projections of 7.9% this year, 7.8% in 2014 and 7.1% in 2015.



FINANCIAL SECTOR



Signs of economic improvement in Japan.



The Chinese economy grew at a slightly slower rate in the first quarter of 2013.



17 of the largest 18 U.S. banks strengthened in 2013 according to the Federal Reserve

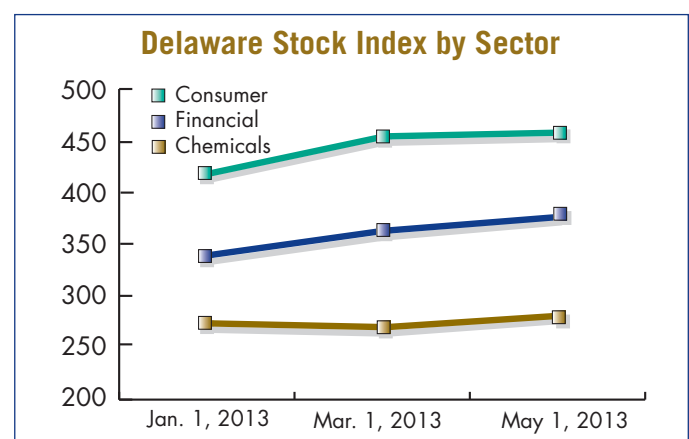
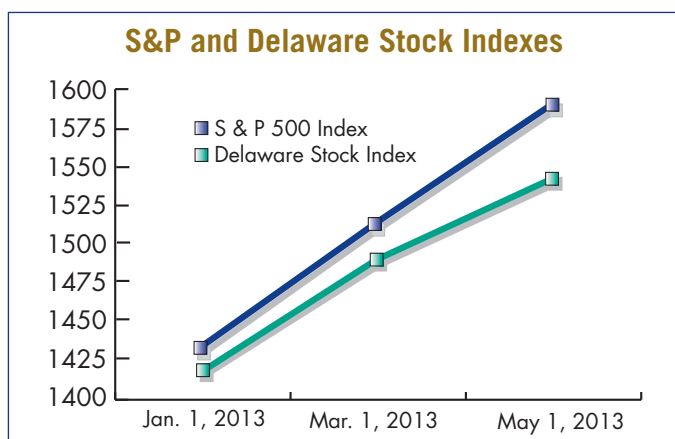


Stock Prices of Key Delaware Employers

Employer	Jan. 1 2013	Mar. 1 2013	% Change
Amazon.com Inc.	\$265.74	\$248.23	-6.59%
Ashland Inc.	\$77.53	\$84.62	+9.14%
AstraZeneca PLC	\$45.45	\$51.59	+13.51%
Bank of America Corp.	\$11.34	\$12.14	+7.05%
Barclay's PLC	\$18.19	\$17.88	-1.70%
Chesapeake Utilities Corp.	\$48.52	\$52.34	+7.87%
Citigroup Inc.	\$42.11	\$45.87	+8.93%
Comcast Corp.	\$40.03	\$41.86	+4.57%
Dover Downs Gaming & Entertainment Inc.	\$2.27	\$1.84	-18.94%
Dow Chemical Co.	\$31.81	\$33.15	+4.21%
DuPont	\$48.09	\$53.37	+10.98%
JP Morgan Chase & Co.	\$48.91	\$48.01	-1.84%
Kraft Foods Inc.	\$48.57	\$51.07	+5.15%
M & T Bank Corp.	\$102.66	\$99.54	-3.04%
Pepco Holdings Inc.	\$20.53	\$22.46	+9.40%
PNC Financial Services Co.	\$62.78	\$67.17	+6.99%
Rite Aid Corp.	\$1.68	\$2.58	+53.57%
Safeway Inc.	\$24.10	\$22.70	-5.81%
Siemens AG	\$103.67	\$103.74	+0.06%
Simon Property Group	\$159.99	\$176.57	+10.36%
Supervalu Inc.	\$3.96	\$5.87	+48.23%
Tanger Factory Outlet Centers Inc.	\$35.37	\$37.02	+4.66%
Verizon Communications Inc.	\$46.72	\$52.40	+12.16%
Walgreen Co.	\$41.32	\$48.94	+18.44%
Wal-Mart Stores, Inc.	\$71.74	\$78.06	+8.81%
Wells Fargo	\$35.39	\$37.46	+5.85%
WSFS Financial Corp.	\$47.36	\$48.30	+1.98%
Delaware Stock Index	1,485.83	1,544.78	+3.97%
S & P 500 Index	1,518.20	1,582.70	+4.25%
Dow Jones Industrial Average	14,089.66	14,700.95	+4.34%

Source: Google Finance

Stock Index Comparison





Treasury's Portfolio Balances

As of May 1, 2013

Portfolio	Market Value	% of Total
Liquidity A/Cs:		
BNYM Cash Inv Strategies	\$97,469,116.90	5%
JP Morgan Res & Cash	\$201,896,056.00	11%
Wells Capital Liquidity	\$205,948,116.67	11%
Wilmington Trust Liquidity	\$208,850,591.52	12%
Intermediate Accounts:		
Schroder's Interm	\$966,836,817.18	54%
Schroder's L&W Endowment	\$78,387,769.36	4%
Schroder's Health Fund Endowment	\$55,963,262.98	3%
Total:	\$1,815,351,730.61	100%

Source: Delaware State Treasury

Key Interest Rates

Rate	5/1/13	Month Ago	Year Ago
Wall Street Journal Prime Rates	3.25%	3.25%	3.25%
Federal Discount Rate	0.75%	0.75%	0.75%
Fed Funds Rate	0.25%	0.25%	0.25%
Bond Buyer's 20 Bond Index	3.90%	3.99%	3.86%
1 Month LIBOR Rate	0.20%	0.20%	0.24%
3 Month LIBOR Rate	0.27%	0.28%	0.47%
6 Month LIBOR Rate	0.43%	0.44%	0.73%
1 Year LIBOR Rate	0.71%	0.73%	1.05%
Call Money	2.00%	2.00%	2.00%

Source: Bankrate.com

U.S. Treasury Department Bond Rates

Date	4 Weeks		52 Weeks	
	Bank Discount	Investment Yield	Bank Discount	Investment Yield
May 1, 2013	0.03	0.03	0.11	0.11
Feb. 28, 2013	0.07	0.07	0.16	0.16

Source: U.S. Treasury Department

Key Benchmark Exchange Rates

As of May 1, 2013

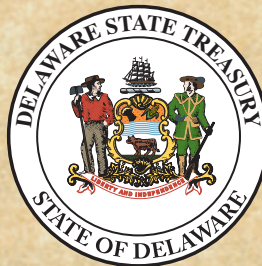
Currency	Value (in U.S. Dollars)	Change (from previous Index)
Euro	\$1.3183	+1.27%
British Pound	\$1.5559	+3.48%
Japanese Yen	\$0.0103	-3.74%
Australian Dollar	\$1.0275	+0.80%
Canadian Dollar	\$0.9917	+2.00%
Swiss Franc	\$1.0786	+1.78%
Chinese Yuan	\$0.1621	+0.87%

Source: Google Finance



RECENT ECONOMIC ACTIVITY

- Treasurer Flowers proposes nine new investment managers for the State.
- AstraZeneca PLC announced it will eliminate 1,200 Delaware jobs over the next 2 years.
- The U.S. Department of Energy ("DOE") seized \$21 million from Fisker Automotive as Fisker failed to pay the first \$10 million loan installment due to DOE. Fisker Automotive will lay off 75% of its employees.
- Atlantis Industries of Milton will create 20 jobs and will receive a \$44,800 grant from Sussex County to facilitate its expansion.
- Evraz Steel announced it will lay off 60 workers at its Claymont facility.
- GE Aviation announced plans to hire 62 workers at its Newark location. The hiring and expansion will be facilitated by \$1.1 million in grants from the Delaware Economic Development Office ("DEDO").
- In its second round of layoffs this year, Delaware Hospice shed 52 jobs.
- PBF Energy reached an agreement with Continental Resources Inc. to receive oil at its Delaware City refinery from North Dakota and Montana.
- Mountaire Farms will spend \$8.5 million to expand its Millsboro hatchery. Mountaire will receive a \$255,000 grant from DEDO to help with the project.
- Frontier Airlines will revive commercial air service at the New Castle County airport.
- Helmick Westown LLC plans to build a movie theater in Middletown.
- The Grand Opera House announced it will lay off a quarter of its employees.
- Harim Foods plans to create 700 jobs if it completes the purchase of Vlastic's Millsboro pickle plant. Harim plans to convert it into a poultry facility.
- National Pump & Compressor opened an office in New Castle. It will employ 15 people there.
- Pittsburgh law firm K & L Gates opened an office in Wilmington.
- Bryn Mawr Bank Corp. announced it will purchase MidCoast Community Bank.
- 2009 state tax increases were made permanent.
- Perdue Farms is seeking approval for a composting pilot project near Laurel that would create 9 jobs.



<http://treasury.delaware.gov/>

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